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REIT Issuer:

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Notice Concerning Difference between Operating Forecast and Actual Result for  
Midterm of Fiscal Year Ending December 2018 (19th Period),

and Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)

Japan Hotel REIT Investment Corporation (hereinafter called “JHR”) informs you the difference between the operating forecast for the midterm of the fiscal year ending December 2018 (January 1, 2018 through June 30, 2018), which was announced in the “Financial Report for the Fiscal Year Ended December 2017 (January 1, 2017 through December 31, 2017)” dated February 22, 2018 and the actual results announced today. JHR also informs you the revision of operating forecast and forecast of dividend for the full year of the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018), which was announced in the “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)” dated August 7, 2018, based on JHR’s recent business performance as follows.

1. Difference between the operating forecast and the actual results for the midterm of the fiscal year ending December 2018 (January 1, 2018 through June 30, 2018)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 12,177	JPY1M 7,098	JPY1M 6,242	JPY1M 6,242	JPY —	JPY —
Revised forecast (actual) (B)	JPY1M 12,321	JPY1M 7,319	JPY1M 6,387	JPY1M 6,387	JPY —	JPY —
Variance (C)= (B) – (A)	JPY1M 143	JPY1M 220	JPY1M 145	JPY1M 145	JPY —	JPY —
Variance ratio (D)= (C)/(A)	% 1.2	% 3.1	% 2.3	% 2.3	% —	% —

Note: This document is intended to serve as a press release to make available the information on the revision of the operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th period). This document should not be construed as an offer to sell or solicitation of an offer to purchase any investment units or other investment of JHR. Prospective investors are advised to make any investment decisions at their own risk and responsibility.

2. Revision of the operating forecast and forecast of dividend for the full year of the fiscal year ending December 2018 (January 1, 2018 through December 31, 2018)

	Operating revenue	Operating income	Ordinary income	Net income	Dividend per unit (Excess of earnings exclusive)	Dividend per unit resulting from excess of earnings
Previous forecast (A)	JPY1M 28,321	JPY1M 17,884	JPY1M 16,092	JPY1M 16,091	JPY 3,844	JPY 0
Revised forecast (B)	JPY1M 28,485	JPY1M 18,122	JPY1M 16,294	JPY1M 16,293	JPY 3,890	JPY 0
Variance (C)= (B) – (A)	JPY1M 164	JPY1M 238	JPY1M 202	JPY1M 202	JPY 46	JPY 0
Variance ratio (D)= (C)/(A)	% 0.6	% 1.3	% 1.3	% 1.3	% 1.2	% 0

(Reference) Forecast of net income per unit for the full fiscal year: ¥4,062

(Calculated based on the forecast of the average number of investment units during the period (4,010,847 units))

(\*1) Dividend per unit is calculated based on the number of investment units issued as of today: 4,010,847 units.

(\*2) Total dividends is planned to be an amount that deducts the reserve for special advanced depreciation (¥1,235 million), from the total amount of net income and the amount to be reversed from reserve for temporary difference adjustment (¥544 million). Please see “3. Rationale for the revisions of the operating forecast and forecast of dividend” below for detailed information.

(\*3) For the assumptions of the operating forecast and forecast of dividend above, please refer to “<Reference Information> Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period)” below.

(\*4) Amounts are rounded down to the nearest millions of yen and percentages are rounded to the nearest first decimal place.

3. Rationale for the revisions of the operating forecast and forecast of dividend

(1) Comparison of operating forecast for the midterm for the fiscal year ending December 2018 (January 1, 2017 through June 30, 2017) with the previous forecast

As variable rent and revenue sharing, etc. of the Twelve HMJ Hotels increased, operating revenue increased by ¥143 million.

Also, operating expenses decreased by ¥77 million by reduction of various expenses related to properties and the timing of implementing capital expenditures and repair work, etc. were moved to the second half year after review. On the other hand, non-operating expenses, etc. increased by ¥75 million as financial costs were expensed at one time due to prepayment and other factors.

(2) Comparison of operating forecast for full fiscal year ending December 2018 (January 1, 2018 through December 31, 2018) with the previous forecast

JHR expects an increase in variable rent, income from management contracts and revenue sharing of the Twelve HMJ Hotels (\*1), the Six Accor Hotels (\*2) and the Six *the b* Hotels (\*3). As a result, JHR expects an increase in operating revenue by ¥164 million.

Also, as a result of reviewing various expenses related to properties and other operating expenses, etc., JHR expects a decrease in operating expenses by ¥74 million. On the other hand, JHR expects an increase by ¥36 million in non-operating expenses, etc. since financial costs were expensed at one time due to prepayment, and other factors. For details of the comparison with the previous forecast, please refer to “<Reference Materials 2> Hotel operation indexes, sales and GOP (\*4)” below.

For your information, the annualized effect on dividend per unit, assuming of decrease in revenue during the fiscal year in accordance with the sale of R&B Hotel Higashi-nihonbashi, the *b* akasaka-mitsuke and the *b* ochanomizu on August 10, 2018 (hereinafter called the “Sale”), is expected to be ¥3,658. For details, please refer to “<Reference Materials 1> Assumptions of annualized effect (full year effect) in this forecast” below.

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- (\*1) The Twelve HMJ Hotels represent the twelve hotels comprising the five hotels, namely, Kobe Meriken Park Oriental Hotel, Oriental Hotel Tokyo Bay, Namba Oriental Hotel, Hotel Nikko Alivila, and Oriental Hotel Hiroshima (hereinafter called “the Five HMJ Hotels”), plus Okinawa Marriott Resort & Spa, Sheraton Grand Hiroshima Hotel, which is the major facility of ACTIVE-INTER CITY HIROSHIMA, Hotel Centraza Hakata, Holiday Inn Osaka Namba, Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara. HMJ is the abbreviation for Hotel Management Japan Co., Ltd. The same shall apply hereinafter.
- (\*2) The Six Accor Hotels are ibis Tokyo Shinjuku, ibis Styles Kyoto Station, ibis Styles Sapporo, Mercure Sapporo, Mercure Okinawa Naha and Mercure Yokosuka. The same shall apply hereinafter.
- (\*3) The Six *the b* Hotels are the *b* Suidobashi, the *b* Akasaka-Mitsuke, the *b* Ikebukuro, the *b* Ochanomizu, the *b* Hachioji and the *b* Hakata. The same shall apply hereinafter.
- (\*4) GOP is Gross Operating Profit, which is the remainder after operating expenses are deducted from total sales. Operating expenses are expenses such as personnel costs and general and administrative expenses, etc., incurred from hotel operation. The same shall apply hereinafter.

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#### 4. Highlights of the operating forecast and forecast of dividend

Comparison between the operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th Period) in the press release dated August 7, 2018, “Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period)” and the operating forecast this time are as follows.

(Unit: JPY M)

	19th Period			Comparison with Previous Forecast		Factors Causing Variance
	Previous Forecast (*1)	Forecast this time				
	(A)	(B)	Annualized (*2)	(B)-(A)	%	
No. of Properties	41	41	41	-	-	
Acquisition Price	309,370	309,370	309,370	-	-	
Operating Revenue	28,321	28,485	26,269	164	0.6%	
Real Estate Operating Revenue	26,384	26,548	26,269	164	0.6%	
Fixed Rent, etc.	Composition 55.9% 14,749	Composition 55.6% 14,763	Composition 55.4% 14,564	14	0.1%	
Variable Rent	44.1% 11,634	44.4% 11,784	44.6% 11,704	149	1.3%	1. The Twelve HMJ Hotels: increase in variable rent by JPY62M 2. The Six Accor Hotels: increase in income from management contract and variable rent by JPY41M 3. The Four the b Hotels (*4): increase in variable rent by JPY4M 4. Increase in revenue sharing, etc. by JPY42M
Gain on Sale of Real Estate Properties	1,937	1,937	-	-	-	
NOI (*3) NOI Yield	22,021 7.1%	22,221 7.2%	21,927 7.1%	199 0.1%	0.9%	
NOI after Depreciation (*3) NOI Yield after Depreciation	17,915 5.8%	18,152 5.9%	17,893 5.8%	236 0.1%	1.3%	
Operating Income	17,884	18,122	15,948	238	1.3%	
Ordinary Income	16,092	16,294	14,130	202	1.3%	
Net Income	16,091	16,293	14,129	202	1.3%	
Reserve for temporary difference adjustments (negative goodwill)	565	544	544	(20)	(3.7%)	Amount to be reserved from reserve for temporary difference adjustments (*5) 19th Period :
Reserve for Special Advanced Depreciation	(1,235)	(1,235)	-	-	-	50-year amortization amount of negative goodwill: JPY262M
Total Dividends	15,417	15,602	14,671	184	1.2%	Correspondence to loss on retirement of noncurrent assets:JPY17M
No. of Units Issued (unit)	4,010,847	4,010,847	4,010,847	-	-	Correspondence to major renovation works:
Dividend per Unit (JPY)	3,844	3,890	3,658	46	1.2%	JPY265M

(\*1) The operating forecast and forecast of dividend for the fiscal year ending December 2018 (19th period) announced in the press release “Notice Concerning Revision of Operating Forecast and Forecast of Dividend for Fiscal Year Ending December 2018 (19th Period) dated August 7, 2018.

(\*2) For the assumptions for the annualized effect, please refer to “<Reference Materials 1> Assumptions of annualized effect (full year effect) in this forecast” below.

(\*3) Each is calculated using the following formula. The same shall apply hereinafter.

NOI (Net Operating Income) = Real estate operating revenue – Real estate operating costs + Depreciation + Loss on retirement of noncurrent assets + Asset retirement obligations expenses

NOI yield = NOI ÷ Acquisition price

NOI after depreciation = Real estate operating revenue – Real estate operating costs

NOI yield after depreciation = NOI after depreciation ÷ Acquisition price

(\*4) The Four *the b* Hotels are four hotels that excludes the *b* akasaka-mitsuke and the *b* ochanomizu which are sold on August 10, 2018 from the Six *the b* Hotels. The same shall apply hereinafter.

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(\*5) For the details of the amount to be reversed from reserve for temporary difference adjustments (negative goodwill), please refer to “Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period)” below.

(Note)

The above is the operating forecast as of today, and actual dividend per unit may fluctuate. This forecast does not guarantee the amount of dividend shown above.

\* Website of Japan Hotel REIT Investment Corporation: <http://www.jhrth.co.jp/en/>

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<Reference Information>

Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period)

Item	Assumptions							
Calculation Period	• Full year of the fiscal year ending December 2018 (19th Period): January 1, 2018 through December 31, 2018 (365 days).							
Assets under Management	• As three properties were sold on August 10, 2018, the 41 properties owned by JHR as of today are assumed.							
	Disposition date		Name of asset					
	August 10, 2018		R&B Hotel Higashi-nihonbashi					
	August 10, 2018		the b akasaka-mitsuke					
	August 10, 2018		the b ochanomizu					
	• It is assumed that there will be no change (acquisition or disposition, etc.) in assets under management other than the above through the end of the fiscal year ending December 2018 (19th period). However, the actual results may fluctuate depending on the changes in assets under management that may take place.							
Operating Revenue	• It is expected that ¥1,937 million is recognized as gain on sale of real estate properties due to the Sale.							
	• Operating revenue is calculated based on the lease and other contracts effective as of today and in consideration of competitiveness of hotels, market environment and other factors. If there are lease contracts with regard to facilities other than hotels, such as retail facilities and offices, etc., operating revenue calculated on the said lease contracts is included.							
	• Rents, etc. of the main hotels are calculated based on the following assumptions.							
	(1) The Twelve HMJ Hotels							
	The assumptions of the fixed rent and variable rent for the Twelve HMJ Hotels are as follows.							
	Total rent = Fixed rent + Variable rent							
	Variable rent = (Total GOP of the hotels – GOP base amount) × Variable rent ratio (%)							
	(Unit: millions of yen)							
			Total GOP of the hotel(s)	GOP base amount	Variable rent ratio	Variable rent	Fixed rent	Total rent
	The Five HMJ Hotels	Midterm	3,155	1,675	85.0%	1,258	1,610	2,868
		Full year	8,123	3,351		4,056	3,221	7,277
	Okinawa Marriott Resort & Spa	Midterm	419	350	90.0%	62	274	337
		Full year	1,416	700		644	550	1,194
	Sheraton Grand Hiroshima Hotel (*1)	Midterm	486	234	82.5%	207	174	381
		Full year	1,030	468		464	348	812
Hotel Centraza Hakata (*2)	Midterm	494	212	90.0%	159	199	359	
	Full year	602	425		159	400	559	
Holiday Inn Osaka Namba	Midterm	632	325	92.5%	284	288	572	
	Full year	1,273	650		576	576	1,152	
Hilton Tokyo Narita Airport (*2)	Midterm	477	275	86.5%	175	222	397	
	Full year	967	550		361	444	805	
International Garden Hotel Narita	Midterm	319	180	98.0%	136	168	304	
	Full year	616	360		250	336	586	
Hotel Nikko Nara	Midterm	318	235	91.5%	76	210	286	
	Full year	739	470		246	420	666	
Total	Midterm	6,303	-	-	2,361	3,147	5,508	
	Full year	14,770	-		6,761	6,295	13,056	
	(*1) Stating the rent for Sheraton Grand Hiroshima Hotel, the major facility of ACTIVE-INTER CITY HIROSHIMA. Separately, rent from the office building and the retail zone for the fiscal year ending December 2018 (19th period) is expected to be ¥210 million for the midterm and ¥442 million for the full year. The figure includes ¥6 million for the midterm and ¥12 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants.							
	(*2) Due to the impact of the major renovation work scheduled in the 2nd half of the fiscal year ending December 2018, total GOP for the first half will exceed total GOP for the full year. Therefore, the estimated variable rent for the full year as a maximum amount is recognized as the variable rent for the midterm.							

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Item	Assumptions							
Operating Revenue	(2) The Six Accor Hotels							
	Income from management contracts (*1) and variable rent of the Six Accor Hotels (Unit: millions of yen)							
		ibis Tokyo Shinjuku	ibis Styles Kyoto Station	ibis Styles Sapporo	Mercure Sapporo	Mercure Okinawa Naha	Mercure Yokosuka	Total
	Midterm	238	247	272	282	214	160	1,415
	Full year	483	542	666	689	469	286	3,138
	(*1) For income from management contracts, it is assumed that each hotel's GOP amount is recognized as income from management contracts and the management contract fees to be paid by JHR are recognized as an operating expense. In cases where certain revenue from non-hotel tenant(s), etc. is included in the hotel's GOP, such tenant revenue is subtracted from GOP to calculate income from management contracts. Such tenant revenue is recognized as parking revenue.							
	(*2) Mercure Sapporo includes variable rent which is linked to the sales of tenant(s) other than the hotel.							
	(3) The Six <i>the b</i> Hotels							
	Income from fixed rent and variable rent of the Six <i>the b</i> hotels (Unit: millions of yen)							
			Variable Rent	Fixed Rent (*1)	Total Rent			
	the b suidobashi	Midterm	12	42	54			
		Full year	26	84	111			
	the b akasaka-mitsuke (*2)	Midterm	51	68	119			
		Full year	62	82	145			
	the b ikebukuro	Midterm	64	109	174			
		Full year	133	220	354			
	the b ochanomizu (*2)	Midterm	14	34	48			
		Full year	17	41	59			
	the b hachioji	Midterm	34	62	96			
		Full year	70	122	193			
	the b hakata	Midterm	76	44	121			
Full year		162	89	252				
Total	Midterm	253	362	615				
	Full year	473	642	1,115				
(*1) Fixed rent includes rent from non-hotel tenant(s).								
(*2) As the b akasaka-mitsuke and the b ochanomizu were sold on August 10, 2018, the fixed rent and the variable rent for the full year represent the expected amount of rent during January 1, 2018 and the day before the disposition date.								
(4) Other hotels subject to variable rent								
Variable rent from other hotels subject to variable rent (Unit: millions of yen)								
	Midterm	Full year						
Smile Hotel Nihombashi Mitsukoshimae	19	19						
Hotel Vista Kamata Tokyo	—	20						
Chisun Inn Kamata	38	78						
Hotel Keihan Universal City	Undisclosed (*)	Undisclosed (*)						
Hotel Sunroute Shinbashi	97	97						
Hilton Tokyo Bay	Undisclosed (*)	Undisclosed (*)						
Hilton Nagoya	Undisclosed (*)	Undisclosed (*)						
Total	854	1,399						
(*) Undisclosed since tenants that concluded lease agreements did not agree to disclose rent revenue, etc.								

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Item	Assumptions																		
Operating Revenue	<ul style="list-style-type: none"><li>• The following is the breakdown of variable rent and income from management contracts (*1). &lt;Breakdown of variable rent, etc. for the fiscal year ending December 2018 (19th period)&gt; (Unit: millions of yen)</li></ul>																		
	<table><tr><td></td><td>Midterm</td><td>Full year</td></tr><tr><td>The Twelve HMJ Hotels (*2)</td><td>2,367</td><td>6,774</td></tr><tr><td>The Six Accor Hotels</td><td>1,415</td><td>3,138</td></tr><tr><td>The Six <i>the b</i> Hotels</td><td>253</td><td>473</td></tr><tr><td>Other hotels with variable rent (7 hotels)</td><td>854</td><td>1,399</td></tr><tr><td>Total (31 hotels)</td><td>4,891</td><td>11,784</td></tr></table>		Midterm	Full year	The Twelve HMJ Hotels (*2)	2,367	6,774	The Six Accor Hotels	1,415	3,138	The Six <i>the b</i> Hotels	253	473	Other hotels with variable rent (7 hotels)	854	1,399	Total (31 hotels)	4,891	11,784
		Midterm	Full year																
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	The Six <i>the b</i> Hotels	253	473																
Other hotels with variable rent (7 hotels)	854	1,399																	
Total (31 hotels)	4,891	11,784																	
	(*1) For details of agreements for variable rent and income from management, please refer to page 54, “5. Reference Information (2) Assets under management (C) Other major assets under management C. Overview of the hotel business (1) Rent structures of hotels with variable rent, management contract or revenue sharing” of the “Midterm Financial Report for the Fiscal Year Ending December 31, 2018 (January 1, 2018–June 30, 2018)” dated August 22, 2018.																		
	(*2) These figures include ¥6 million for the midterm and ¥12 million for the full year as variable rent pursuant to a revenue-linked rent agreement with some retail tenants at ACTIVE-INTER CITY HIROSHIA.																		
Operating Expenses	<ul style="list-style-type: none"><li>• With respect to real estate leasing expenses, which constitute a major part of the operating expenses, expenses other than depreciation are calculated based on historical data, and variable factors are reflected in the calculation.</li><li>• It is assumed that the ¥1,630 million will be recognized as expenses for property taxes, city planning taxes, etc.</li><li>• In general, fixed asset tax and city planning tax and other taxes and public dues on acquired assets are settled with the previous owners at the time of acquisition, calculated on a pro rata basis of the holding period. For JHR, such settlement amount is included in the acquisition price, and it will not be recognized as expenses for the calculation period. Also, the fixed asset tax and city planning tax and other taxes and public dues to be recorded as expenses for the fiscal year ending December 2018 (19th period) for the three properties (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara) acquired in the fiscal year ended December 2017 (18th period) are assumed to be ¥118 million, which is equivalent to nine months (¥160 million, for 12 months).</li><li>• Depreciation is calculated using the straight-line method, and is estimated to be ¥4,049 million, including the planned capital expenditures (¥3,186 million) (¥1,898 million for capital expenditure I, ¥897 million for capital expenditure II, and ¥391 million for capital expenditure III (*)) for the fiscal year ending December 2018 (19th period). (*) JHR classifies capital expenditures into the following three categories. (I) Capital investment related to renewal of equipment and facilities of buildings which is required to maintain proper values of properties, (II) capital investment for fixtures, furniture and equipment that are not directly related to building structure or facilities but necessary for operating hotels, and (III) strategic capital investment such as renovating guest rooms, etc. for improving the competitiveness of the hotels.</li><li>• Repair expenses for buildings are recognized as expenses in the estimated amount necessary for each operating period. Please note that the repair expenses of each operating period may differ materially from the forecast amount for various reasons, such as; (1) Emergency repair expenses may be necessary due to damage to buildings from unexpected causes; (2) The amount of repair expenses generally tends to increase in difference over time; and (3) Repair expenses are not required on a regular basis.</li></ul>																		
	Non-operating Expenses	<ul style="list-style-type: none"><li>• ¥1,856 million is expected for borrowing-related costs, including interest expense, amortization for financing fee, arrangement fee and amortization for derivative instruments (interest rate caps).</li><li>• Expenses for issuance of new investment units and secondary offering are amortized over a period of three years by the straight-line method.</li></ul>																	
Interest-bearing Debt	<ul style="list-style-type: none"><li>• The balance of interest-bearing debt (sum of loans and investment corporation bonds) is ¥141,060 million as of the end of June, 2018. It is assumed that the balance of interest-bearing debt will be ¥136,060 million after the Sale and as of December 31, 2018.</li><li>• ¥5,000 million was repaid in accordance with the Sale.</li><li>• It is assumed that ¥4,489 million loans, which are due within the fiscal year ending December 2018 (19th period), will be fully refinanced.</li><li>• It is assumed that the scheduled repayment of the loans above is repaid by cash on hand.</li></ul>																		

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Item	Assumptions																				
Issuance of Investment Units	<ul style="list-style-type: none"> <li>The number of investment units issued as of today (4,010,847 units) is assumed.</li> <li>It is assumed that there will be no additional issuance of investment units through to the end of the fiscal year ending December 2018 (19th period).</li> </ul>																				
Dividend per Unit	<ul style="list-style-type: none"> <li>Dividend per unit for the fiscal year ending December 2018 (198th period) is calculated based on the following assumptions.</li> </ul> <table> <tr> <td>Net income</td><td>¥16,293 million</td></tr> <tr> <td>Reserve for special advanced depreciation (*1)</td><td>(¥1,235 million)</td></tr> <tr> <td>Reversal of reserve for temporary difference adjustment (negative goodwill)</td><td></td></tr> <tr> <td>    50-year amortization amount of negative goodwill (*2)</td><td>¥262 million</td></tr> <tr> <td>Loss on retirement of noncurrent assets (*3)</td><td>¥17 million</td></tr> <tr> <td>Correspondence to major renovation work (*4)</td><td>¥265 million</td></tr> <tr> <td>Retained earnings brought forward</td><td>¥3 million</td></tr> <tr> <td>Distributable amount</td><td>¥15,606 million</td></tr> <tr> <td>Total number of investment units issued</td><td>4,010,847 units</td></tr> <tr> <td>Dividend per unit</td><td>¥3,890</td></tr> </table> <p>(*1) It is assumed that ¥1,235 million of expected gain on sale by the Sale is planned to be retained as reserve for advanced depreciation within the limit to maintain conduit status stipulated by Article 67-15 of Act on Special Measures Concerning Taxation by applying “Special provisions for taxation in the case where a special account is set up accompanied with transfer of specified assets” (Article 65-8 in the Act on Special Measures Concerning Taxation).</p> <p>(*2) ¥262 million (hereinafter called “50-year amortization amount of negative goodwill”) will be paid out as dividends, with the remaining balance of the reserve for temporary difference adjustment set as the maximum amount, for every year from the fiscal year ended December 2017 (18th period).</p> <p>(*3) Amount recognized as a loss on retirement of noncurrent assets will be appropriated by reserve for temporary difference adjustment (negative goodwill) and is expected to have no impact on dividend per unit.</p> <p>(*4) Major renovation (hereinafter the “Renovation”) is planned to be implemented at Hotel Centraza Hakata and the Renovation will suspend the hotel operation from October 2018 to the end of March 2019. Taking into consideration the effect of the Renovation on dividend, ¥265 million, which is equivalent to the difference between NOI after depreciation of Hotel Centraza Hakata for the fiscal year ended December 2017 (18th period) and NOI after depreciation for the fiscal year ending December 2018 (19th period), will be appropriated by reserve for temporary difference adjustment (negative goodwill). In case the period of the Renovation is changed or by other reason, the amount to be reversed from reserve for temporary difference adjustment may be reviewed.</p> <ul style="list-style-type: none"> <li>Dividend per unit may fluctuate due to various causes, such as fluctuation of rent revenue resulting from transfer of assets under management, change of tenants, etc. at hotels and change in the business environment of hotel business for hotel tenants, etc., as well as unexpected repairs and actual number of new investment units issued, etc.</li> <li>The remaining balance of the reserve for temporary difference adjustment (negative goodwill) after the appropriation of the reserve for temporary difference adjustment (negative goodwill) for dividends for the fiscal year ending December 2018 (19th period) is expected to be ¥11,813 million.</li> </ul>	Net income	¥16,293 million	Reserve for special advanced depreciation (*1)	(¥1,235 million)	Reversal of reserve for temporary difference adjustment (negative goodwill)		50-year amortization amount of negative goodwill (*2)	¥262 million	Loss on retirement of noncurrent assets (*3)	¥17 million	Correspondence to major renovation work (*4)	¥265 million	Retained earnings brought forward	¥3 million	Distributable amount	¥15,606 million	Total number of investment units issued	4,010,847 units	Dividend per unit	¥3,890
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Total number of investment units issued	4,010,847 units																				
Dividend per unit	¥3,890																				
Dividend per Unit Resulting from Excess of Earnings	<ul style="list-style-type: none"> <li>It is assumed that the excess of earnings (dividend per unit resulting from excess of earnings) will not be distributed.</li> </ul>																				
Other	<ul style="list-style-type: none"> <li>It is assumed that revision in law, tax system, accounting standard, regulations of the listing, regulations of The Investment Trusts Association, Japan that may impact the forecast above will not be made.</li> <li>It is assumed that unexpected major incident will not occur in the general economy, real estate market and hotel business environment, etc.</li> <li>The numerical values are rounded down to the nearest millions of yen in the assumptions above.</li> </ul>																				

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<Reference Materials 1> Assumptions of annualized effect (full year effect) in this forecast

- (1) It is assumed that the existing properties (41 properties) after excluding the sold properties are held throughout the full year. Moreover, gain on sale of real estate properties and reserve for special advanced depreciation are not assumed.
- (2) There is no change in operating revenue and operating expenses of the existing properties (41 properties) after excluding the sold properties, except property taxes and city planning taxes, from the “Assumptions of the operating forecast for the full year of the fiscal year ending December 2018 (19th period).”
- (3) The fixed asset tax and city planning tax and other taxes for three properties (Hilton Tokyo Narita Airport, International Garden Hotel Narita, and Hotel Nikko Nara) acquired in the fiscal year ended December 2017 (18th period) are assumed to be ¥166 million, which is equivalent to twelve months.

<Reference Materials 2> Hotel operation indexes, sales and GOP

Hotel operation indexes, sales and GOP of the Eleven HMJ Hotels (\*1), the Six Accor Hotels and the Four *the b* Hotels (\*2) are stated below.

- (\*1) The figures are the total amount of eleven hotels which exclude Hotel Centraza Hakata from the Twelve HMJ in order to exclude the impact of renovation work which cause suspension of sales. The same shall apply hereinafter.
- (\*2) The figures are the total amount of four hotels which exclude the *b* akasaka-mitsuke and the *b* ochanomizu from the Six *the b* Hotels in order to exclude the impact of the Sale.
- (\*3) The numeral figures are based on figures obtained from hotel lessees, etc. Please note that these figures have not been audited or gone through other procedures. No guarantee is made as to the accuracy or completeness of the figures and information.
- (\*4) ADR and RevPAR are rounded off to the nearest the nearest yen. Sales and GOP are rounded off to the nearest millions of yen. Comparison with the previous period is rounded off to one decimal place.

<1> Operation indexes, sales and GOP of the each hotel groups

(1) The Eleven HMJ Hotels

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Occupancy Rate	First half of the year	87.4%	87.1%	87.3%	(0.1)pt	0.1pt
	Second half of the year	89.0%	89.2%	89.2%	0.2pt	(0.0)pt
	Full year	88.2%	88.2%	88.3%	0.0pt	0.1pt
ADR	First half of the year	14,912	15,214	15,246	2.2%	0.2%
	Second half of the year	18,013	18,263	18,237	1.2%	(0.1)%
	Full year	16,490	16,769	16,770	1.7%	0.0%
RevPAR	First half of the year	13,027	13,259	13,306	2.1%	0.4%
	Second half of the year	16,037	16,297	16,269	1.5%	(0.2)%
	Full year	14,544	14,790	14,800	1.8%	0.1%
Sales (JPY1M)	First half of the year	18,715	18,943	18,754	0.2%	(1.0)%
	Second half of the year	22,151	22,553	22,340	0.9%	(0.9)%
	Full year	40,865	41,496	41,094	0.6%	(0.1)%
GOP (JPY1M)	First half of the year	5,683	5,730	5,809	2.2%	1.4%
	Second half of the year	8,041	8,377	8,358	3.9%	(0.2)%
	Full year	13,724	14,107	14,168	3.2%	0.4%

- (\*) The figures for the fiscal year ending December 2017 of the acquired assets (Hilton Tokyo Narita Airport, International Garden Hotel Narita and Hotel Nikko Nara), which were acquired in the fiscal year ending December 2017, are for the entire year including figures prior to the acquisition. The same shall apply hereinafter.

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**(2) The Six Accor Hotels**

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Occupancy Rate	First half of the year	84.8%	87.9%	85.8%	1.0pt	(2.1)pt
	Second half of the year	85.7%	90.3%	91.3%	5.6pt	1.0pt
	Full year	85.3%	89.1%	88.6%	3.3pt	(0.5)pt
ADR	First half of the year	11,383	11,585	11,733	3.1%	1.3%
	Second half of the year	12,490	12,555	12,519	0.2%	(0.3)%
	Full year	11,944	12,080	12,141	1.6%	0.5%
RevPAR	First half of the year	9,652	10,189	10,071	4.3%	(1.2)%
	Second half of the year	10,709	11,339	11,432	6.8%	0.8%
	Full year	10,185	10,769	10,757	5.6%	(0.1)%
Sales (JPY1M)	First half of the year	3,074	3,240	3,198	4.0%	(1.3)%
	Second half of the year	3,380	3,584	3,600	6.5%	0.4%
	Full year	6,454	6,824	6,799	5.3%	(0.4)%
GOP (JPY1M)	First half of the year	1,380	1,448	1,448	4.9%	0.0%
	Second half of the year	1,623	1,711	1,750	7.8%	2.3%
	Full year	3,004	3,158	3,198	6.5%	1.3%

**(3) The Four the b Hotels**

		Fiscal year ended December 2017	Fiscal year ended December 2018			
		Actual	Previous forecast	Forecast this time (first half: actual)	Comparison with the previous period	Comparison with the previous forecast
Occupancy Rate	First half of the year	89.4%	90.8%	90.5%	1.1pt	(0.3)pt
	Second half of the year	91.9%	91.5%	91.6%	(0.3)pt	0.1pt
	Full year	90.7%	91.1%	91.1%	0.4pt	(0.1)pt
ADR	First half of the year	8,986	8,956	9,009	0.2%	0.6%
	Second half of the year	9,021	9,112	9,125	1.2%	0.1%
	Full year	9,004	9,035	9,068	0.7%	0.4%
RevPAR	First half of the year	8,033	8,128	8,152	1.5%	0.3%
	Second half of the year	8,289	8,338	8,360	0.9%	0.3%
	Full year	8,162	8,234	8,257	1.2%	0.3%
Sales (JPY1M)	First half of the year	989	1,001	1,006	1.8%	0.5%
	Second half of the year	1,036	1,041	1,045	0.9%	0.4%
	Full year	2,025	2,042	2,051	1.3%	0.4%
GOP (JPY1M)	First half of the year	454	453	457	0.7%	1.0%
	Second half of the year	497	477	478	(3.8)%	0.1%
	Full year	951	930	935	(1.7)%	0.5%

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<2> Hotel Sales (by hotel)

**The Eleven HMJ Hotels**

(Unit: millions of yen)

Sales of the Eleven HMJ Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
Kobe Meriken Park Oriental Hotel	First half of the year	2,431	(1.4%)	2,510	2,556	5.1%	1.8%
	Second half of the year	2,950	1.9%	2,861	2,906	(1.5%)	1.6%
	Full year	5,381	0.4%	5,371	5,462	1.5%	1.7%
Oriental Hotel tokyo bay	First half of the year	3,319	(3.9%)	3,276	3,263	(1.7%)	(0.4%)
	Second half of the year	3,518	(7.8%)	3,611	3,578	1.7%	(0.9%)
	Full year	6,838	(6.0%)	6,887	6,840	0.0%	(0.7%)
Namba Oriental Hotel	First half of the year	1,394	0.6%	1,421	1,418	1.7%	(0.2%)
	Second half of the year	1,492	0.1%	1,531	1,544	3.5%	0.9%
	Full year	2,887	0.3%	2,952	2,962	2.6%	0.3%
Hotel Nikko Alivila	First half of the year	2,568	6.1%	2,682	2,569	0.1%	(4.2%)
	Second half of the year	3,821	2.3%	4,011	3,994	4.5%	(0.4%)
	Full year	6,389	3.8%	6,693	6,563	2.7%	(1.9%)
Oriental Hotel Hiroshima	First half of the year	993	(3.0%)	966	879	(11.5%)	(9.0%)
	Second half of the year	1,159	(4.7%)	1,206	1,065	(8.1%)	(11.7%)
	Full year	2,153	(3.9%)	2,172	1,944	(9.7%)	(10.5%)
Total of the Five HMJ Hotels	First half of the year	10,706	(0.4%)	10,856	10,685	(0.2%)	(1.6%)
	Second half of the year	12,941	(1.6%)	13,220	13,086	1.1%	(1.0%)
	Full year	23,647	(1.1%)	24,076	23,771	0.5%	(1.3%)
Okinawa Marriott Resort & Spa	First half of the year	1,692	5.3%	1,759	1,663	(1.7%)	(5.5%)
	Second half of the year	2,459	5.7%	2,537	2,468	0.4%	(2.7%)
	Full year	4,151	5.6%	4,296	4,131	(0.5%)	(3.8%)
ACTIVE-INTER CITY HIROSHIMA	First half of the year	1,601	17.0%	1,536	1,610	0.5%	4.8%
	Second half of the year	1,747	7.4%	1,721	1,778	1.8%	3.3%
	Full year	3,348	11.8%	3,257	3,388	1.2%	4.0%
Holiday Inn Osaka Namba	First half of the year	1,011	(8.4%)	1,025	1,014	0.2%	(1.1%)
	Second half of the year	1,063	(3.6%)	1,090	1,068	0.5%	(2.0%)
	Full year	2,074	(6.0%)	2,115	2,082	0.4%	(1.6%)
Hilton Tokyo Narita Airport	First half of the year	1,542	8.6%	1,575	1,625	5.4%	3.2%
	Second half of the year	1,696	8.3%	1,678	1,671	(1.5%)	(0.4%)
	Full year	3,238	8.4%	3,253	3,296	1.8%	1.3%
International Garden Hotel Narita	First half of the year	705	(4.1%)	692	762	8.2%	10.1%
	Second half of the year	733	2.1%	728	751	2.5%	3.1%
	Full year	1,438	(1.0%)	1,420	1,513	5.3%	6.5%
Hotel Nikko Nara	First half of the year	1,458	(1.7%)	1,501	1,395	(4.3%)	(7.1%)
	Second half of the year	1,512	(0.6%)	1,578	1,517	0.4%	(3.8%)
	Full year	2,970	(1.1%)	3,079	2,913	(1.9%)	(5.4%)
Total of The Eleven HMJ Hotels	First half of the year	18,715	1.3%	18,943	18,754	0.2%	(1.0%)
	Second half of the year	22,151	0.6%	22,553	22,340	0.9%	(0.9%)
	Full year	40,865	0.9%	41,496	41,094	0.6%	(1.0%)

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**The Six Accor Hotels**

(Unit: millions of yen)

Sales of the Six Accor Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
ibis Tokyo Shinjuku	First half of the year	365	(10.1%)	479	464	27.1%	(3.2%)
	Second half of the year	408	(4.1%)	486	483	18.3%	(0.5%)
	Full year	773	(7.1%)	965	947	22.4%	(1.8%)
ibis Styles Kyoto Station	First half of the year	482	3.7%	460	451	(6.2%)	(1.9%)
	Second half of the year	496	(3.4%)	496	504	1.5%	1.4%
	Full year	977	0.0%	957	955	(2.3%)	(0.2%)
ibis Styles Sapporo	First half of the year	548	11.9%	576	553	1.0%	(3.9%)
	Second half of the year	671	6.1%	703	704	4.9%	0.1%
	Full year	1,219	8.6%	1,278	1,257	3.1%	(1.7%)
Mercure Sapporo	First half of the year	596	9.3%	623	636	6.7%	2.1%
	Second half of the year	755	6.6%	789	800	6.0%	1.4%
	Full year	1,351	7.8%	1,412	1,436	6.3%	1.7%
Mercure Okinawa Naha	First half of the year	532	8.7%	553	524	(1.5%)	(5.3%)
	Second half of the year	564	0.8%	575	580	2.8%	0.8%
	Full year	1,096	4.5%	1,128	1,104	0.7%	(2.2%)
Mercure Yokosuka	First half of the year	551	(3.2%)	549	570	3.4%	3.8%
	Second half of the year	486	(3.1%)	535	530	9.1%	(1.0%)
	Full year	1,037	(3.2%)	1,084	1,100	6.1%	1.4%
Total of The Six Accor Hotels	First half of the year	3,074	3.7%	3,240	3,198	4.0%	(1.3%)
	Second half of the year	3,380	1.2%	3,584	3,600	6.5%	0.4%
	Full year	6,454	2.4%	6,824	6,799	5.3%	(0.4%)

**The Four the b Hotels**

(Unit: millions of yen)

Sales of the Four the b Hotels		Fiscal year ended December 2017		Fiscal year ended December 2018			
		Actual	Comparison with previous period	Previous forecast	Forecast this time (first half: actual)	Comparison with previous period	Comparison with previous forecast
the b suidobashi	First half of the year	173	(2.1%)	173	174	0.3%	0.5%
	Second half of the year	177	1.9%	179	178	0.2%	(0.8%)
	Full year	351	(0.2%)	352	352	0.3%	(0.2%)
the b ikebukuro	First half of the year	306	(5.3%)	306	301	(1.5%)	(1.4%)
	Second half of the year	311	(0.4%)	316	314	1.0%	(0.5%)
	Full year	617	(2.9%)	621	615	(0.2%)	(1.0%)
the b hachioji	First half of the year	266	(8.5%)	271	281	5.5%	3.4%
	Second half of the year	282	3.2%	275	283	0.3%	2.8%
	Full year	548	(2.8%)	547	564	2.8%	3.1%
the b hakata	First half of the year	244	5.9%	251	250	2.8%	(0.5%)
	Second half of the year	266	6.9%	271	270	1.8%	(0.2%)
	Full year	509	6.4%	522	521	2.2%	(0.3%)
Total of The Four the b Hotels	First half of the year	989	(3.1%)	1,001	1,006	1.8%	0.5%
	Second half of the year	1,036	2.8%	1,041	1,045	0.9%	0.4%
	Full year	2,025	(0.2%)	2,042	2,051	1.3%	0.4%

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